

Window

on your Pension & Benefits

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Keeping a close eye on pension investment returns

As we told you in the spring 2010 issue of *Window*, 2009 was a good year for our pension plan. The pension fund earned an investment return of 15.0%, which was right on par with other large plans, and better than many, including the Ontario Teachers' Pension Plan.

Nevertheless, it will take the plan some time to recover fully from the 2008 downturn, when the return was minus 11.7%. That's partly because our investment gains and losses are spread over a period of years, instead of being absorbed in any one year, and partly because the "cost" side of our balance sheet (pensions owing to current and future pensioners) has continued to grow.

On the bright side, at the end of 2009, our plan was fully funded from a "going-concern" standpoint. This means that, according to the actuary, there will continue to be enough money in the pension fund to cover the cost of all pensions as long as the plan continues to operate in the future (and, of course, there is absolutely every expectation that it will).

Contact information

Pension and Benefits Office
The Presbyterian
Church in Canada
50 Wynford Drive
Toronto, Ontario M3C 1J7
416-441-1111 or 1-800-619-7301

www.presbyterian.ca
- follow the 'Quicklinks' button
for Pension and Benefits
pension@presbyterian.ca



A newsletter for active
members of the Presbyterian
Church in Canada pension
and benefits plans

Fall 2010

It's important to understand that all pensions already earned by active and retired members to date are fully protected under the terms of the plan and the current solvency shortfall has no direct impact on your pension.

All in the same boat

The catch is that our plan is registered in Ontario and under Ontario pension law, it's not enough to be fully funded from a "going-concern" viewpoint, the plan must also pass a solvency funding test. Solvency testing checks to see if there is enough money in the plan to pay out the full value of total pensions earned in a single lump sum on a particular date. This protects employees who belong to a plan sponsored by a single employer that might face the risk of going out of business. Currently by law, any solvency shortfall must be paid off over a period of five years.

Like most other Ontario-based pension plans, we currently have a solvency funding shortfall. As we reported earlier this year, this shortfall was estimated to be about 15% (\$12 million) as of December 31, 2009. However, it's important to understand that all pensions already earned by active and retired members to date are fully protected under the terms of the plan and the solvency shortfall has no direct impact on your pension. Moreover, with so many plans facing solvency shortfalls, the province is allowing some flexibility around the five-year payment period. That said, unless the situation improves by the time the next official valuation of the plan is due (no later than June 30, 2011), changes may be required down the road.

Why do so many plans have shortfalls?

In a nutshell: investment returns and interest rates. All pension plans work pretty much the same way – contributions flow into the plan, contributions are invested, and pensions are paid from the accumulated contributions and investment income. Over the long term, investment income plays an even more important role than contributions. This is why the Trustee Board pays such close attention to its investment policy and selection of professional investment managers. It's also why investment performance is so closely monitored.

Contribution levels are based on the expectation that the plan will achieve a target rate of return over the long term (in our case 6.0% per year). When there is a sudden and unexpected drop in investment markets, such as we saw in 2008, the impact is much greater on short-term (solvency) results than on long-term (going concern) results. The chart below shows the ups and downs of our plan's investment returns during the past five years. Keep in mind that the Trustee Board's investment goal is not simply to make the highest return, but to achieve the best possible returns within an acceptable level of risk.

| 2005 | 2006 | 2007 | 2008 | 2009 | 5-year average (compounded) |
|-------|-------|-------|--------|------|-----------------------------|
| 10.4% | 11.3% | -2.1% | -11.7% | 15% | 4.1% |

Interest rates have a big impact on solvency results. When the solvency test is done – and the amount of money available in the plan is compared to the lump-sum value of pensions owing to members – interest rates are used to convert the pensions into the lump-sum dollar value. When interest rates are low (and interest rates have been hovering at record lows for a few years), a bigger dollar amount is needed.

The combination of low investment returns (smaller pension fund) and low interest rates (higher pension value) creates a solvency shortfall.

Briefly...
Pension Plan
Amendment

The province of Manitoba enacted changes to its pension regulations. Accordingly, new enrolments to the Church's pension plan living in Manitoba, will receive immediate vesting.

Contribution levels for members and employers are approved by General Assembly each year. Currently, members contribute 6% of pensionable earnings, employers contribute 7% of pensionable earnings, and the Church contributes 3% of Congregational Assessments.

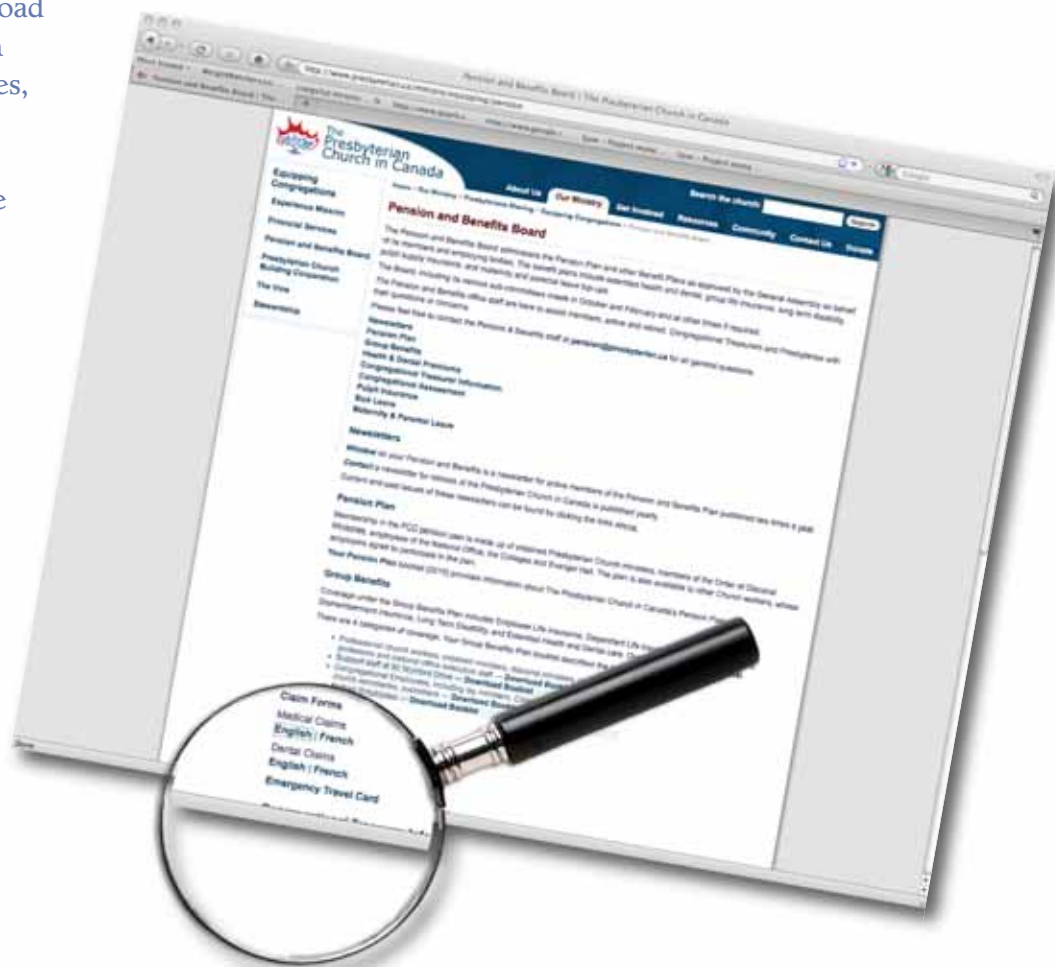
Changes to how you will receive Claim Forms beginning January 1, 2011

It has been the practice for several years to include a pre-printed personalized new claim form each time you receive a payment from Sun Life. In most cases, you will use this form for your next claim. The cost to produce and mail the pre-printed, personalized claim forms is added to the administration charges of the plan each month.

Since our claim forms are also easily accessible for download via the Sun Life or Pension and Benefits Board websites, more and more members choose to print their own forms. This helps to reduce our administration costs and reduce the amount of printed paper we use.

In addition, many of our Health and Dental Plan members, including about one third of our Retired Health and Dental Plan members, choose to submit **e-claims** and have their payments directly deposited to their bank accounts, further reducing the requirement to provide pre-printed personalized claim forms. Both actions encourage good stewardship of the environment and help us to control our plan costs.

In light of this, the Pension and Benefits Board has decided that beginning January 1, 2011, pre-printed personalized claim forms will no longer be included with your payment from Sun Life. Instead, you are encouraged to print forms directly from the Sun Life or Pension and Benefits Board websites. You may also contact the Pension and Benefits office directly for additional claim forms.



A new requirement when submitting your orthotics claims starting August 1, 2010

Our Sun Life Extended Health Care benefit provides coverage for orthotic claims.

- Coverage is for 'custom-made' orthotic inserts for shoes, when prescribed by a doctor, podiatrist or chiroprapist.
- Once every 24 months.
- According to 'usual and reasonable' rates.

Custom-made orthotic inserts

A custom-made orthotic insert or corrective foot care device worn inside a shoe, is manufactured from a 3-dimensional (3-D) image (or cast) of the foot using raw materials. In order for custom-made orthotics to be effective, they need to be properly casted to accommodate the specific medical condition of the patient's foot. Off-the-shelf forms altered to approximate the best fit to the foot are not made from a unique cast and therefore not eligible under our plan.

Our plan does not cover custom-made orthopaedic shoes.

Effective August 1, 2010, a detailed lab invoice will be required

In addition to the above guidelines, beginning August 1, 2010, you are also required to provide a detailed lab invoice with your claim.

A detailed lab invoice is issued to the provider of service (i.e. the person dispensing the orthotic insert to you) by the manufacturer of the custom-made orthotic insert. This invoice should include an itemized breakdown of the raw materials used, their cost and any other associated costs incurred to manufacture the custom-made insert. If the costs relate to insert modifications, the details and cost of each modification must be present. When purchasing your custom-made orthotic insert for shoes, ask your provider for a detailed lab invoice at the time you pick up and pay for your orthotic insert.

The new detailed lab invoice requirement is in addition to the existing requirements of:

- a written recommendation (prescription) for the custom-made orthotic insert from a doctor, podiatrist or chiroprapist.
- the written recommendation must be submitted with each claim and must include the diagnosis necessitating the custom-made orthotic.
- a receipt showing that full payment has been made, patient's name and date of service.

Predetermination

Before engaging in the work of custom-made orthotic inserts, it is always a good idea to send an estimate or predetermination to Sun Life including all the above information. Sun Life will be able to confirm that the claim meets the eligibility requirements and what portion of the cost will be covered by our plan. (The current 2010 'usual and reasonable rates' paid by Sun Life for custom-made orthotic inserts is \$650)

Mailing address changes for Health and Dental paper claims

**Please note the address changes for claims.
All paper claims should now be mailed
to the claims office nearest you;**

Sun Life Assurance Company of Canada
PO Box 2010 Stn Waterloo
Waterloo, ON
N2J 0A6

Sun Life Assurance Company of Canada
PO Box 11658 Stn CV
Montreal, QC
H3C 6C1

or

Enhancement of your osteopathic benefit coverage

Effective April 1, 2010, Sun Life made changes to the osteopathic benefit coverage to include the services of practitioners who hold a Diploma in Osteopathic Manual Practice (DO(MP)).

Osteopathic practitioners generally have either of the following designations:

- Doctor of Osteopathy (DO). DOs are physicians (MDs) who have additional qualifications in osteopathy. They are regulated and certified by the College of Physicians and Surgeons of Ontario. Currently, services by these practitioners are eligible expenses under the Extended Health Plan.
- Diploma in Osteopathic Manual Practice (DO(MP)). DO(MP)s are not members of any regulatory agency recognized by the government; however, there are provincial associations such as the Ontario Association of Osteopathic Manual Practitioners (OAO) which set out guidelines and requirements for members. Starting April 1, 2010, services by practitioners holding a DO(MP) are eligible expenses under our Extended Health Plan.

Your benefit maximum will remain the same

Whether claims are submitted for the services of either DOs or DO(MP)s, the benefit maximum of \$500 per year will remain the same. The same benefit maximum will apply, but will become a shared maximum between these two eligible practitioners.

About this newsletter

This bulletin provides summary information about the Presbyterian Church in Canada pension and benefits plans. It is not intended to be complete or comprehensive, or to provide legal or medical advice. If there are any discrepancies between this bulletin and the wording in the legal documents that govern the plans, the legal documents will apply in all cases.